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Strawberries

Annual

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Report Highlights:

Strawberry plantings for MY 2002/03 are forecast to increase marginally compared to MY 2001/02 area planted. Consequently, exports of both fresh and frozen strawberries are not expected to increase much from the previous year.

Includes PSD changes: No
Includes Trade Matrix: No
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SECTION I. SITUATION AND OUTLOOK

FRESH STRAWBERRIES

PRODUCTION

Over ninety-percent of the strawberries produced in Mexico are grown in the states of Michoacan, Guanajuato, and Baja California. Scattered plantings can also be found in Jalisco, Aguascalientes, Mexico, Morelos, Sinaloa, Veracruz and Zacatecas. Mexico grows many strawberry varieties. These include Camarrosa, Driscoll, Duran, Pacifico, Parker, Chandler, Seascape, Pajaro, Solana, Selva, and Oso Grande. Large producers are always trying new varieties which are more suitable for regional climates. According to growers, the Camarrosa disease resistant variety from California is planted in about 25 percent of the area in Guanajuato, and about 50 percent of the area is planted with the Chandler variety. In Zamora, Michoacan, these two varieties account for approximately 90 percent of the area planted to strawberries.

The harvest season for Michoacan and Guanajuato is November-June, with peak harvest for Michoacan from November to February, and from February to April for Guanajuato. The harvest season for Baja California is January-June, with the peak harvest in March-April.

Strawberry production for marketing year 2002/03 (August/July) is forecast at 131,000 MT, which represents a marginal increase compared to MY 2001/02 production. According to the industry, there has been a trend to reduce strawberry planted area, due to low market prices in previous years, no access to credits, and increases in the costs of production. Therefore, increases in area planted tend to be minimal. Area planted for MY 2002/03 is forecast at 5,660 hectares. MY 2001/02 production and area planted and harvested estimates were revised upward, based on official data. However, producers feel that production for MY 2001/02 was lower than expected as fewer hectares than expected were planted, as a result of lower international market prices during the previous year and an increase in the costs of production, mainly the price of imported strawberry plants from the U.S. According to growers, the state of Guanajuato was the most affected by these production cost increases, which is why the area planted in this state has decreased. In light of all these problems, the state of Michoacan has helped strawberry producers organize themselves to be more efficient by creating the State Strawberry Council. This Council will regulate strategies to handle harvest, packing, industrialization and commercialization of strawberries in both the domestic and international markets. State officials indicate that this organization will allow producers to plan strawberry production, program crop planting and harvesting, and better use technical assistance and other resources. Also, the very important issues of credit, insurance, research and technology transfer, food safety and trade strategies can be addressed through this organization. This Council was established in September 2002, and members include strawberry producers, processing plants, input producers/representatives, traders and government officials from the Mexican Ministry of Agriculture (SAGARPA). In addition, producers from the state of Michoacan have been working with the University of Chapingo to produce their own strawberry plant in order to decrease dependability on imports of U.S. strawberry plants. These new strawberry plants will help lower costs of production and increase area planted. Production and area harvested for MY 2000/01 have been revised upward, and area planted was revised downward, based on official data.

The state of Michoacan, which is the most important growing region for the winter crop, is the first one to reach the market. According to producers, approximately 70 to 80 percent of the Michoacan strawberry production goes to the

processing industry and 20 to 30 percent to the fresh market. Growers living in the neighboring state of Guanajuato grow strawberries in Michoacan because they can harvest them earlier and have better opportunities to receive higher prices and profits for their crop. The state of Guanajuato, which is more important for the summer cycle, gets to the market after the crop from Michoacan, and receives lower prices. According to the industry, growers in Guanajuato have switched to planting less risky crops, such as broccoli, cauliflower, sorghum, wheat, or tomatoes in the areas formerly planted with strawberries. Growers consider strawberries a risky crop because their high production costs, brought on by intensive water usage and lack of affordable credit, can make them unprofitable, depending on prevailing market prices. Producers indicate that approximately 30 to 40 percent of the strawberry production in Guanajuato goes to the processing industry for jams, yogurt and other food products. The state of Baja California harvests during the winter cycle and its strawberries are also marketed early in the season and therefore garner higher prices. Most of Baja's strawberry production goes to the fresh export market.

Strawberry yields in Mexico vary greatly depending upon variety, area, and weather conditions. If weather conditions remain good for MY 2002/03, overall yields are expected to be about 23.4 MT/Ha. Well-tended areas, however, can produce as much as 35 MT/Ha. Yields in Baja California tend to be the highest ones and are expected to be approximately 40-50 MT/Ha.

Average costs of production for MY 2002/03 are expected to approximate MY 2001/02 production costs. For MY 2001/02, the average cost to establish a hectare of strawberries in Guanajuato was approximately 90,000 to 100,000 pesos/Ha (US\$8,823.50 to \$9,803.90/Ha) with advanced technology, and about 60,000 pesos/Ha (\$5,882/Ha) with less quality control technology. However, this less advanced technology is not as competitive and is therefore being used less. Michoacan average production costs are higher at approximately 115,000 to 120,000 pesos/Ha (US\$11,274.50 to \$11,764.70/Ha) with advanced technology, and less than 100,000 pesos/Ha (US\$9,803.90/Ha) for less quality control technology. Advanced technology costs include drip irrigation and plastic mulch; the latter averages US\$800 per hectare. The average production cost for an already established bed is approximately 46,000 to 56,000 pesos/Ha (US\$4,509.80 to \$5,490.20/Ha). Basic expenses include nursery establishment, field preparation, strawberry plants, fertilizers and fungicides, irrigation, and harvesting. The most expensive input has always been the strawberry plants which are imported from the United States. All Mexican strawberries are irrigated. Labor costs are about 75 to 100 pesos /per shift (US\$7.35 to 9.80 per shift). Some workers even want to be paid by the number of baskets picked rather than by the shift. Labor is especially scarce in Guanajuato because several new industries like automobiles, steel and "maquiladoras" are hiring away farm laborers. Therefore, strawberry producers have to pay higher wages — practically 90 to 110 pesos/shift (US\$8.82 to \$10.78/shift) — to attract workers. (Note: the official minimum wage for farm workers is approximately US\$4.40 per day.)

CONSUMPTION

Fresh strawberry consumption for MY 2002/03 is forecast at 55,400 MT, an increase compared to MY 2001/02, due to the expectations of good consumer purchasing power. The tendency, however, is to serve the international market first, so the final consumption figure will depend on the strength of the consumer purchasing power and the demand for fresh strawberries from the international market. The MY 2001/02 consumption estimate was revised upward reflecting a stronger demand. In fact, processing plants indicate that despite the fact that international demand for processed strawberries is high, the industry has been unable to increase their sales because the domestic market demand for fresh product has increased. Consumption data for MY 2000/01 was revised upward based on official information. The average Mexican consumer does not discriminate between domestic and imported strawberries. The

major challenge that U.S. exporters face in the Mexican market is to increase consumer awareness of varietal differences. According to wholesalers, the number one preference is the Driscoll variety because of its size, color and flavor, followed by Duran and other varieties. As most strawberries in Baja California are produced for the export market, these tend to be of the best quality, followed by those from Guanajuato and Michoacan.

Farmgate prices for strawberries for the fresh domestic market for MY 2002/03 are expected to be slightly higher compared to MY 2001/02. Prices for MY 2001/02 were approximately 5.00 pesos/kg (US\$0.49/kg) for average quality and about \$6.00 pesos/kg (US\$0.59/kg) for good quality. Producers indicated, however, that farmgate prices are also influenced by the international market. Domestic market prices for MY 2001/02 were on average higher than those in MY 2000/01, due to stronger demand. Prices for the domestic market are usually higher during the export season in the winter months. Imported strawberries from the United States began in July 2002 at approximately 23.00 pesos/kg (US\$2.25/kg) and increased to nearly 28.00 pesos/Kg (US\$2.74/Kg) at the wholesale market during the end of August 2002, when there are almost no domestic strawberries available. Retail prices averaged between 34.00 to 50.00 pesos/kg (US\$3.33 to \$4.90/kg) during those same months.

TRADE

The major market for Mexican strawberry exports is the United States, with smaller amounts shipped by air to Europe. Fresh strawberry exports for MY 2002/03 are forecast to remain at 37,500 MT, the same as the estimate for MY 2001/02, unless there is strong demand from the domestic market. It is expected that the weakening of the peso against the U.S. dollar will boost Mexican strawberry exports for MY 2002/03. The export estimates for MY 2000/01 and 2001/02 have been revised upward, due to better international demand. Imports of fresh U.S. strawberries supply the Mexican market from May through November. Imports of U.S. strawberries for MY 2002/03 are expected to increase slightly compared to MY 2001/02, unless further weakening of the Mexican peso increases import prices significantly. Strawberry imports for MY 2000/01 and 2001/02 were revised upward, as a result of stronger demand. Growers indicate that some imported strawberries were used by the processing industry.

Under NAFTA, fresh strawberry imports from the United States are no longer subject to tariffs. Imports from non-NAFTA countries are charged a 20 percent duty. Mexican strawberry exports to the United States are also no longer subject to tariffs. The tariff classification number is 08.10.10.01.

MARKETING

The quantity of strawberries imported from the United States has been growing for the past two years. The import volume has been maintained with promotional campaigns in Mexico, sponsored by the California Strawberry Commission, in chain stores in several cities. Wholesalers are provided with point of sale materials and recipes which are to be delivered to their clients and customers respectively. Although the import season begins in May, the highest volumes are imported from June through October. Traditionally, imported fruit becomes scarce by November, when imports taper off and domestic production is harvested. The United States is expected to continue being the main supplier to the Mexican market. Imported strawberries are almost exclusively from California. The quality is good and they are packed using a system that eliminates oxygen, thus extending the berries' shelf life.

The best quality strawberries destined for the domestic market are packed in 12 lb/boxes and sold in supermarkets and grocery stores. Lower quality strawberries are generally packed in 12/13 lb baskets and are sold at street markets or

along highways.

Unfortunately, there is still limited understanding within the Mexican market as to how to care for and preserve strawberries in the stores, despite the fact that several store managers have learned how to better display, sell and preserve strawberries through technical seminars which have been sponsored by the California Strawberry Commission in more than 30 cities. Moreover, the Mexican strawberry market still has a long way to go before there is brand recognition and before consumers disassociate strawberries with the no-longer used, unsanitary washing techniques that some stores used for many years.

FROZEN STRAWBERRIES

PRODUCTION

Mexican frozen strawberry production for MY 2002/2003 (Aug/July) is forecast at 49,000 MT, slightly higher compared to MY 2001/02 revised estimates. According to industry sources, frozen strawberry production is not higher because of lack of strawberries for processing in the domestic market. Growers indicate that low international market prices in the past two years drove down production of fresh and frozen strawberries, and even though demand has now picked up, there is still not enough fresh product. Total production, however, may rise if more strawberries are diverted from the fresh market. Producers indicated that this could only happen if international market prices increase. Growers and buyers/processors generally operate separately and there is very little integration with respect to marketing firms providing input to growers. In Guanajuato, the state government, growers, and agroindustry, have begun to work together to implement internationally recognized phytosanitary and fruit quality standards. Some marketing companies are contemplating marketing integration with growers to have better quality and verification controls. Some companies in Michoacan have entered into joint ventures with foreign companies which has brought more integration and better financing. Together they have implemented improvements in quality control. However, despite these efforts, some strawberry processing companies are closing and others can only survive by processing other fruits.

Frozen strawberry production for MY 2001/02 was revised upward because of better international demand. However, industry sources also indicated that there was less fruit available, due to reduced plantings. According to industry, some processing plants bought imported fruit from the U.S. in order to fulfill contract obligations. Frozen strawberry production for MY 2000/01 was revised upward based on available information. Information on frozen strawberry production is very difficult to obtain because the Mexican government does not maintain it and industry information tends to be limited. However, industry sources did indicate that higher costs of production for strawberries have also increased production costs for frozen strawberries.

There are approximately 27 strawberry processing plants in Michoacan and about nine plants in Guanajuato. Some of these plants operate intermittently, due to frequent changes in ownership and problems in leasing out the facilities. Also, some plants process other fruits during the off-season, thereby allowing them to work all year round. Some plants, however, have closed operations, due to lack of affordable credit from Mexican financial institutions. Those plants that have joint ventures with foreign companies have access to foreign financing. Some other plants receive financing from

U.S. importers. The majority of the plants are equipped to make all types of frozen/processed strawberries, including frozen with sugar, frozen without sugar, whole and sliced, and individual-quick-frozen (IQF). Most of the processed strawberries either are packed whole or sliced with sugar. The processors use a wide variety of packaging, including 50 gallon drums, 2.5 gallon containers, or consumer ready packages.

The processing industry generally competes with the fresh market for fruit, with the fresh product selling at higher prices. The farmgate price for strawberries destined for processing for MY 2001/02 was approximately 4.00 to 5.00 pesos/Kg (US\$0.43 to 0.53/Kg), while average farmgate prices for the fresh market were on average 5.00 to 6.00 pesos/kg (US\$0.49 to \$0.59/kg). Strawberry producers expect farmgate prices for processing to rise to 5.50 pesos/kg or more (US\$0.53/kg) for MY 2002/03.

CONSUMPTION

MY 2002/03 frozen strawberry consumption is forecast to increase slightly compared to MY 2001/02 consumption. As with fresh strawberries, the industry serves the international market first. However, the domestic market has begun to pay slightly better than international markets, due to a growth in demand. According to industry, annual average consumption generally ranges between 10,000 to 11,000 MT. The industry recognizes that there is a need for more advertising and campaigns to promote this product. Also, the tendency of certain industries that use frozen strawberries in products like jams, breads and yogurt is to substitute frozen strawberries with strawberry concentrate. This concentrate contains coloring, additives and artificial flavors and is imported from the United States at lower prices than domestic frozen strawberries. Domestic market prices for frozen strawberries for MY 2001/02 were approximately \$0.49/lb compared to \$0.45/lb in MY 2000/01. The MY 2001/02 consumption estimate was revised downward, but still reflects

an increase from MY 2000/01 consumption levels. Consumption for MY 2000/01 was revised upward based on available information. There are generally no stocks of frozen strawberries because of high storage costs.

TRADE AND MARKETING

The export forecast for frozen strawberries for MY 2002/03 is expected to increase slightly over MY 2001/02 estimates, due to good international demand. Export estimates for MY 2001/02 were revised upward reflecting stronger international demand. However, the industry reports that demand for frozen strawberries has not been met, due to low area planted. Sometimes, domestic market prices for frozen strawberries are higher than those on the international market. For example, international market prices in MY 2001/02 began at US\$0.64/lb FOB and fell to approximately \$0.46/lb, while domestic market prices ranged between \$0.43 to \$0.49/lb. Final export estimates for MY 2000/01 were also revised upward based on available information.

Frozen strawberry imports are still not significant relative to the total Mexican processed strawberry market. Import data, however, show a slight increase in imports, due to more domestic demand. Frozen strawberry imports for MY 2002/03 are forecast at 290 MT. Import estimates for MY 2000/01 and 2001/02 were revised upward based on recent trade information. There are no promotional campaigns for frozen strawberries in Mexico.

The 2002 tariff rate will be 1.4 percent. For 2003 the tariff will be zero. Mexico charges a 20 percent duty on strawberry imports from non-NAFTA countries. There currently are no import licensing requirements for frozen strawberries. The tariff classification number is 08.11.10.01.

SECTION II. STATISTICAL TABLES

FRESH STRAWBERRIES PS&D

PSD Table						
Country	Mexico					
Commodity	Fresh Strawberries				(HA)(MT)	
	Revised 2000		Preliminary 2001		Forecast 2002	
	Old	New	Old	New	Old	New
Market Year Begin	08/2000		08/2001		08/2002	
Area Planted	5600	5582	5500	5655	0	5660
Area Harvested	5500	5504	5400	5575	0	5580
TOTAL Production	121000	124339	119000	130000	0	131,000
Imports, Fresh	9000	10627	9000	10700	0	10900
TOTAL SUPPLY	130000	134966	128000	140700	0	141900
Exports, Fresh	30000	30221	34000	37500	0	37500
Domestic Fresh Market	57000	60345	49000	54540	0	55400
For Processing	43000	44400	45000	48660	0	49000
TOTAL UTILIZATION	130000	134966	128000	140700	0	141900

FROZEN STRAWBERRIES PS&D

PSD Table						
Country	Mexico					
Commodity	Frozen Strawberries				(MT)	
	Revised 2000		Preliminary 2001		Forecast 2002	
	Old	New	Old	New	Old	New
Market Year Begin	08/2000		08/2001		08/2002	
Deliv. To Processors	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	43000	44400	45000	48660	0	49000
Imports	180	220	200	265	0	290
TOTAL SUPPLY	43180	44620	45200	48925	0	49290
Exports	32800	34075	34500	38275	0	38590
Domestic Consumption	10380	10545	10700	10650	0	10700
Ending Stocks	0	0	0	0	0	0

TOTAL DISTRIBUTION	43180	44620	45200	48925	0	49290
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PRICES

AVERAGE MONTHLY STRAWBERRY PRICES WHOLESALE MARKET PESOS PER KILOGRAM			
MONTH	2001	2002	Change %
JANUARY	11.11	15.62	40.59
FEBRUARY	8.33	11.45	37.45
MARCH	8.66	10.83	25.06
APRIL	8.66	11.66	34.64
MAY	9.33	12.83	37.51
JUNE	13.00	14.16	8.92
JULY	15.42	22.83 *	48.05
AUGUST	19.00 *	28.00 *	47.37
SEPTEMBER	24.00 *	23.50 *	(2.08)
OCTOBER	23.00 *		
NOVEMBER	14.79		
DECEMBER	11.94		

SOURCE: SERVICIO NACIONAL DE INFORMACION DE MERCADOS

2001 AVG. EXCHANGE RATE: US\$1.00 = 9.35 PESOS

SEPT. 24, 2002 EXCHANGE RATE US\$1.00 = 10.35 PESOS

NOTE: - "*" REPRESENTS PRICES FOR IMPORTED STRAWBERRIES.